



March 5, 2013

The Honorable Tom McClintock
United States House of Representatives
434 Cannon House Office Building
Washington, DC 20515

Dear Representative McClintock:

On behalf of the 362,000 members of National Taxpayers Union (NTU), I write in strong support of H.R. 807, your “Full Faith and Credit Act.” This vital legislation would eliminate the potential of a default on U.S. debt obligations and ensure stability in financial markets should Congress not raise the debt ceiling.

The Full Faith and Credit Act would simply require the Treasury Department to make payments on the debt the highest priority in case the statutory limit is not raised following the May 18 deadline. This would allow the federal government to use its substantial cash flow to ensure that creditors are paid in full and on time. As tough decisions loom ahead for Congress, H.R. 807 provides a necessary fail-safe ensuring the full faith and credit of the United States is not squandered on behalf of political posturing.

Because the federal government has income about 10 times greater than debt service costs, the only way a default would occur is if the Treasury Department chooses not to pay debt obligations first (or second, or third, or even fourth). By codifying into law the requirement that the Treasury use its ample resources to maintain our debt, this bill takes default off the table. Furthermore, payment prioritization as envisioned in this legislation is not some sort of obscure fantasy; the Treasury Department took similar measures on four separate occasions from 1985 to 2003. The federal government did not default on its debt and markets did not look at it as “default by another name,” as former Secretary Geithner claimed.

As a measure of just how far we’ve strayed from our nation’s founding traditions on borrowing, it is illustrative to note that prior to 1917, Congress actually had to separately approve each issuance of debt, including the maturity date and interest rate. With the passage of the Second Liberty Bond Act, Congress established a statutory limit on federal debt and granted the U.S. Treasury the authority to conduct auctions underneath that ceiling. Unfortunately, the debt ceiling mechanism has ceased to provide the kind of meaningful restraint on Congress’ spending habits that was clearly intended.

To prevent default and aid in negotiations to reduce unsustainable federal spending, we urge all Representatives to join you in co-sponsoring H.R. 807, the Full Faith and Credit Act. Any roll call votes on this legislation will be significantly weighted in NTU’s annual Rating of Congress.

Sincerely,

Nan Swift
Federal Affairs Manager